

## HIGHLIGHTS FROM THE CORPS CONTRACTING COMMUNITY

### *Acquisition and Partnering*

*(James P. Moore, Resident Engineer Northeast Resident Office, Tobyhanna, Pennsylvania )*

Acquisition and Partnering are two words not normally used in the same sentence. We often think of acquisition (at least developing the strategy) as something that happens before a contract is advertised and awarded, while partnering is done (with the construction contractor) after award. In fact, acquisition is the timeline process preceding and continuing over the life of a contract, and partnering is something that can (and should) begin, among the District team members, long before the construction contractor is chosen.

Recently, the Association of General Contractors (AGC) met with senior Corps leaders including the PARC to discuss ways to improve and enhance the Partnering Process. I was one of two representatives of the Baltimore District at that workshop; we were joined by Vernon Perdue, a Project Manager for the Fru-Con Corporation, our construction contractor for a portion of an ongoing levee-raising project on the Susquehanna River. Our joint discussion centered on ways in which Partnering has helped us to move this project forward. One of the examples we cited was our joint efforts to stabilize and repair a slide which occurred in December 1998, just as we were preparing to suspend operations for the winter. Both Fru-Con and the Government realized that working on the water during the winter months would be unpredictable. We also realized that if we did not stabilize the slide it might continue, essentially cutting the project in half, and jeopardizing our chances of completing the project in 1999.

In order to address the problem and mitigate future damage, our District drill crew and design team mobilized to investigate the slide within 24 hours. Within two days, we had enough design data to begin discussions with Fru-Con on a proposed scope of work. We also decided to utilize the authorities and quantities within our existing unit price contract to place some rockfill immediately adjacent to the slide, arresting the movement until we could complete our investigation and design activities. By Day 4, using some survey information and design suggestions supplied by Fru-Con, our Engineering Division was able to produce sketches, which we used to determine quantities and prepare a Government Estimate and our Pre-Negotiation Objectives. Meanwhile, Fru-Con began preparation of their cost proposal.

On Day 5, we met to discuss the scope of the work. We soon determined that the required material quantities and weather constraints could considerably delay the execution of this work. We also identified many environmental and contracting issues which required immediate resolution. One of our assumptions, the use of on-site gravel bars, was

deemed unacceptable based on discussions with our Planning Division, because of adjacent Peregrine Falcon (an endangered species) habitat.

This necessitated another look at the designed remedy, and revisions to both the Government and Contractor's pricing. By direct contact with (and site visits by) the members of our project management, design, environmental, legal, contracting, and construction team, we were able to resolve all of these technical and regulatory concerns by Day 12.

On Day 19, we were ready to negotiate a forward-priced supplemental agreement for slide repairs. We were quite surprised by the low production rates assumed by the contractor. Through discussions, we ascertained that the

contractor's concerns were based on the high risk associated with performing work in the river during unpredictable winter weather. Since the barges and much of the necessary equipment would be rented, the cost of standby became a very

large consideration. We resolved this issue by essentially removing the risk of weather delay. We negotiated a standby (unit) rate, and stipulated conditions under which that rate would be employed, to compensate Fru-Con for this contingent item. We realized a lower unit price on the basic rate as a result.

With a forward-priced agreement in place, Fru-Con began work on slide repairs 20 days after the first cracks were noted. As of this writing (mid January) the work is 90% complete, and we expect to be finished by mid-February. Thus far, we have only had to implement one compensable standby day, despite the fact that we have experienced three weeks of extreme cold, snow, and ice. We believe that by working jointly with our District partners and with Fru-Con, we were able to avert major technical, cost and time impacts to the project in the next construction season. More importantly, we will be able to provide increased levels of flood protection to the residents of Wyoming Valley during the annual spring high water season.

This achievement occurred because of effective partnering efforts among the various District elements, the local sponsor, and the construction contractor at the mid point of an existing construction contract. It is a prime example of the success that arises from the continuation of effective partnering throughout the acquisition - the cooperation to develop and integrate engineering, environmental, construction, financial, risk, and contracting considerations to achieve the best results for all parties. Acquisition is more than just advertisement and award; partnering is more than just a day away from the job. ***When acquisition strategy and the trust that is built by partnering work well together, we have a win-win situation!!***

## DC PUBLIC SCHOOLS FY 98 CLOSEOUT

*(Jerry Rifkin, CENAB)*

Using 1 May as a start date and ending with 30 September, the NAD team completed on behalf of DCPS the following acquisitions:

32 contracts  
12 modifications

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TOTAL	\$24,527,534.20
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20 simplified acquisitions

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TOTAL	\$ 5,719,640.39
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GRAND TOTAL	\$30,247,174.59
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**PARC Note:** Hats off to Baltimore District as we forge success in a new market niche for the Corps.

## **HURRICANE GEORGES**

### **An Intern's Perspective**

*(by Angela Zahid)*

My tour of duty in Puerto Rico for Hurricane Georges disaster recovery, 17 Oct 98 – 13 Nov 98, was a most valuable learning experience. I am a Contract Specialist intern, GS-07, which made me the only one in the office with limited experience in the Contracting field. Most of the others were GS-11 and GS-12 Contract Specialists, some of which were also Contracting Officers. It was reassuring to work with such experienced people on my first disaster mission.

Situations that I had learned about in training classes, but had not yet encountered, were actually being put into practice.

I knew that meeting immediate needs while still complying with Contracting regulations is possible because special contracting techniques are available for special circumstances. It was exciting to actually see it happening. For example, it was my first time working with contracts that had been set up as letter contracts. They had been set up during the initial stage of the disaster, when immediate action was necessary. Processing purchase orders in confirmation of verbal orders was also something new for me. We mostly worked with construction and service IDIQ contracts, such as Temporary Roofing and Debris Reduction, and with purchase orders and credit card purchases.

Having daily interaction with contractors was another new experience for me. Instead of using the mail system, there was constant communication by phone and in person with contractors. Having groups of contractors in the office at the same time was commonplace. Some of them were not fluent in English and required help with paperwork, as well as requiring explanations in Spanish of what it all meant. In the beginning I felt that due to my limited experience I might slow down the work process. I soon discovered that being fluent in Spanish could greatly enhance progress. In the end I left Puerto Rico feeling that my major contribution to the mission had been my translating and communication ability. It made me feel that I was really helping in situations where translation was necessary.

I learned that a day in a disaster recovery mission can be replete with minor emergencies, due to rapidly changing

situations. There is always something actually happening, vs. something happening on paper, to be actualized in the future. Conversations with employees who worked in the field, instead of in an office setting, brought the realization that we were actually helping people who could not help themselves. It is certainly different from a regular workday at the home district. I learned that people from different places can quickly adjust to working with each other. ***I felt proud to***

*be part of a group that was so totally devoted to addressing the needs of the mission, while putting their own needs aside.*

## 2 PHASE DESIGN BUILD

### THOUGHTS ON THE 2-PHASE DESIGN-BUILD PROCESS: A RECONSIDERATION

*(Ed Slana CESAM)*

The Mobile District recently awarded its first 2-phase design-build (D-B) project for the construction of a modern air dryer unit attached to a large wind tunnel at the Arnold Engineering Development Center (AEDC), Tullahoma, TN for approximately \$10M. The procedures governing 2-phase D-B are contained in Subpart 36.3 of the Federal Acquisition

Regulation(FAR). Our experience in Mobile with this evaluation process ended up being quite different from the first

Corps-wide 2-phase award made by Tulsa District at Tinker AFB, OK last year. Tulsa's award involved a corrosion control facility for aircraft. Interestingly, the customer for both the Tinker and Arnold facilities was the same--Air Force Material Command (AFMC) headquartered at Wright-Patterson AFB, OH. Mr. Rick Hedrick of Tulsa District provided his personal thoughts on this 2-phase process in a previous edition of PARC NOTES.

In order to contrast both projects, one needs to summarize exactly what the contracts entailed. The Tinker AFB corrosion control facility was to design & build a state-of-art structure to service aircraft and systems maintained by the Tinker Air Logistics Center in Oklahoma City, OK. The Corps and Air Force customer started with a "clean sheet of paper" since they were attempting to summon the most modern and innovative technologies from industry to satisfy the needs of the USAF maintenance personnel at Tinker. In fact, neither the Air Force customer nor the Corps knew of all the latest technical solutions involving corrosion control. Tulsa District reported that adequate technical and price competition was exhibited throughout the entire 2-phase process.

The air dryer unit at Arnold was intended to remove moisture from outside air brought into the wind tunnel in order to increase the overall quality of airflow. Although our air dryer project started out with high hopes of exploring innovative technologies, it was apparent from the start that the on-base Air Force engineers and scientists who daily dealt with the testing of aerospace articles in their tunnels felt that the most appropriate and proven way to construct an air dryer unit involved the traditional use of chemical desiccants (drying agents which remove moisture from air). In essence, there was only one solution to increasing tunnel effectiveness from the standpoint of counteracting moisture laden air.

The phase one process the Mobile District embarked upon for air dryer facility had high hopes for many (in excess of seven) firms providing competitive proposals. In actuality, only four firms submitted. Of these four, two were determined to be less than highly qualified. Two firms were then invited to provide the Government evaluators their phase 2 design concepts, management approaches, key personnel, and technical solutions. Having only two firms to compete during this phase seriously curtailed Mobile's flexibility since it required that adequate technical and price competition had to be maintained throughout the remaining selection process. If the excluded offerors had been carried into the second phase, more useful competition would have been the result. By limiting the second step to the absolutely "most highly

qualified" per FAR Subpart 36.303, the Corps and the Air Force artificially constrained themselves to a conservative final

source selection decision.

Lessons learned from the Mobile experience in 2-phase D-B are as follows:

- a) Broad latitude and discretion must be part of any design solution. In other words, the Government must not make up its mind ahead of time in terms of where it wants to go technically with a particular project.
- b) At least three (but preferably four or five) proposers must be brought into the second phase in order to insure adequate consideration of all possibilities (technical & price) surrounding the project.

## **In Saudi Arabia, negotiation is an art, not a science**

*(Pam Taylor, Ordnance Program Division)*

According to *Webster's Ninth New Collegiate Dictionary*, negotiate means "to confer with another so as to arrive at the settlement of some matter." The most advantageous result of negotiation is a good deal for both the buyer and the seller. This age-old process is alive and well in Saudi Arabia.

I work in the Contracts Branch of the U.S. Army Corps of Engineers, Transatlantic Programs Center, Ordnance Program Division (OPD). As in other contracting offices around the world, OPD personnel often have requirements for goods and services and the money to purchase them. This is when the contracting office gets involved.

Most of our purchases are for our internal OPD customers. For example, each year, due to the annual change of military, we supply each villa with a "soft pack." This includes everything needed to run a household such as linens, towels, dishes, and silverware. We try to purchase what we can in bulk, and must negotiate the prices each time.

The mission of the OPD contracting office is to procure the required goods or services at a reasonable price with delivery within a reasonable amount of time, or faster, if possible. If faster is not possible, it is the additional task of contracting to make it faster.

The request arrives with specifications describing the minimum requirements, an estimate of cost, a fund site and a source or two that can meet their minimum requirements. At this point the question most often asked of us is, "How long will it take you to buy this?" I don't take too much time to answer because the real fun of contracting is about to begin. Whether we are buying professionally or personally, for a million-dollar contract or cases of paper towels, the process of negotiation is the same.

Before I explain the art of negotiation in Saudi Arabia, there are three facts about business here that are important to know. First, it is not politically *incorrect* to say salesmen because they are all just that - men. So a woman who is doing the purchasing for an organization like OPD should not take it personally when the initial greeting is less than cordial.

Secondly, because Islam is the state religion, there are five calls to prayer a day. All businesses must close every day for all five prayer calls. The five times are, day break, noon, approximately 3 p.m., 5 p.m., and 7 p.m. The length of each prayer call varies from 20 minutes to an hour, not including travel time to and from the local mosque. To

the purchaser, this means that the most time one has to buy is three hours, from 9 a.m. until noon, and from 8 p.m. to

11 p.m. One needs to have a good understanding of all the requirements in order to make efficient use of the time available. A nap in the afternoon helps, too.

Thirdly, forget all of the discussions from your marketing class about market niche because it does not apply in Saudi Arabia. Similar types of goods and vendors offering similar services are all grouped together in the city. The shopping areas are called *souks*. The computer *souk* is in one part of town. The textile *souk* is in another. The used car *souk* another. My favorite is the gold *souk*.

There might be 10, 20 and sometimes 50 shops all with the very same items. It makes it very efficient for the buyer because you just go to the area of town that has all the vendors for the commodity that you want. Competition is keen. Each vendor literally calls you into his store with an offering of the lowest price. However, the price he offers is never the lowest he will go. This is where the art of negotiation is a buyer's biggest asset and the fun begins.

After you have located the required item, the next step in Saudi Arabia is to choose the vendor who appears to want to bargain for the best deal. Some of the vendors are very exuberant and call you into their shops using all kinds of arm motions and hand signals. Some sit in the corner and don't even look up. These are the ones who are memorizing the Koran, the Holy Book of Islam or they were out late the night before. I prefer to choose the vendor who looks alert and simply invites me into his store to look around. This is the opening phase of negotiation.

Next is the action phase. I ask how much. When he tells me, I put my hands on my heart and feign an attack.

This is when he offers me a chair and a cup of "chai," which is some of the sweetest, hot tea in the world. If I play my cards right, I can get two or three cups of "chai" out of the deal along with the merchandise that I came to buy.

At this point, I make him an offer that I think he cannot refuse. His response is a hearty laugh and he gets himself a cup of "chai." Conversation continues with discussion of children and family and the good and bad points of each of our countries of origin. We finally get back to discussion of price. After much arm waving, head shaking, and, even threats to leave the shop, we are coming to the end of the action. We are both tiring of the activities and we have come to a near agreement on price.

The closing is a very satisfying part of the deal. He mentions the price that I had in mind when I entered his shop and I agree to pay it. The agreement is sealed with a handshake and an exchange of Saudi riyals. We are both smiling. He is smiling and thinking that he has made a very good sale. I am smiling and thinking that I too have made a very good deal, and that I will deliver the required item faster than I thought possible.

In Saudi Arabia, negotiation is truly an art. The business of contracting is accomplished in the ways of a bygone era. After the deal is struck, the buyer and seller know that they each have made the best deal. The opportunity for the next best deal is not far from either of their minds. The next time they meet it will be like the meeting of old friends.

In the times of electronic contracting, reinventing government, and paperless procurement, sometimes, for some places, the old ways work best and we can have fun in the process. When I next return to the United States, I wonder if I can get a cup of "chai" and negotiate the same way when I go to Walmart.